

Message Text

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SUBJECT : COTTON CLAIMS AND PERFORMANCE BONDS

REF: (A) TOFAS 02; (B) STATE 61157

1. AGATT AND ECON OFF HAVE HAD SEVERAL DISCUSSIONS WITH MARKETING DIRECTOR ABDUL SAYEED OF BANGLADESH TEXTILE MILLS CORPORATION DURING PAST SEVERAL WEEKS SINCE OUR EARLIER REPORT (REF.A). WE BELIEVE, BASED ON THESE DISCUSSIONS, THAT SLOW BUT STEADY PROGRESS IS BEING MADE TOWARD SETTLING CLAIMS. SAYEED IS CLEARLY CONCERNED WITH UN-RESOLVED PROBLEM OF COTTON CLAIMS AND PERFORMANCE BOND ISSUES AND IS MOST ANXIOUS TO SETTLE AMICABLY WITH SHIPPERS ALL OUTSTANDING CLAIMS.

2. HE TOLD US THAT PARTIAL HEADWAY HAS BEEN MADE RECENTLY IN SOLVING SEVERAL CLAIMS WITH TWO U.S. SHIPPERS:

A. SEVEN CLAIMS WERE SETTLED WITH U.S. COMMODITY COMPANY, AS SUBSIDIARY OF HOHENBERG BROTHERS COMPANY, BY END OF FEBRUARY FOR SHORT WEIGHT AND MICRONAIRE. THIS SETTLEMENT INVOLVED ABOUT 38,000 BALES VALUED AT HEARLY U.S. DOLLARS 400,000. FOUR OTHER CLAIMS AGAINST USCC FORT HORT FIBER AND TRASH ARE
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NOT YET SETTLED.

B. SECOND COMPLETE SETTLEMENT WAS FOR SHORT WEIGHT, MICRONAIRE, TRASH AND SHORT FIBER CLAIMS AGAINST WEIL BROTHERS - COTTON INC., FOR ABOUT 5,000 BALES VALUED AT U.S. DOLLARS 34,894.40.

3. AS A NEXT MAJOR STEP IN THIS DIRECTION, SAYEED ADVISED US THAT A

TEAM INCLUDING BTMC'S CHAIRMAN SHAMSUL HAQUE AND SAYEED PLANS TO DEPART DACCA ABOUT MARCH 21, 1978 FOR LIVERPOOL FOR MEETINGS WITH LCA REQUESTING TO SETTLE MICRONAIRE CLAIMS. THEIR PURPOSE IS TO OBTAIN OFFICIAL INTERPRETATION (NO ARBITRATION) FROM LCA REGARDING MICRONAIRE PERCENTAGE ALLOWANCE. BTMC AND SHIPPERS HAVE ALREADY SETTLED TODATE ABOUT \$600,000 OF MICRONAIRE CLAIMS. REMAINING \$1 MILLION IN MICRONAIRE CLAIMS WILL BE RESOLVED BY LCA'S RULING. THIS WILL ENABLE BTMC TO RELEASE MOST OF THE PERFORMANCE BONDS, SINCE MICRONAIRE CLAIMS REPRESENT THE GREAT MAJORITY OF VALUES CLAIMED BY BTMC.

4. AS FOR REMAINING SHORT FIBER AND TRASH CLAIMS, ACCORDING TO SAYEED ALL PAST CONTRACTS WERE MADE ON BASIS OF SPECIFICATIONS RATHER THAN GRADE SO THAT THE LCA WOULD NOT BE ABLE TO RECONCILE THE CLAIMS. THEREFORE SETTLEMENT OF SHORT FIBER AND TRASH CLAIMS MIGHT HAVE TO BE MADE BY ARBITRATORS IN BANGLADESH,3 #923;34, SAYEED THOUGHT IT WOULD BE POSSIBLE TO FOREGO LOCAL ARBITRATION WHICH WOULD BE AN UNSATISFACTORY PROCEDURE FOR BOTH BTMC AND SHIPPERS ,
IN FAVOR OF INDIVIDUAL NEGOTIATED SETTLEMENT OF SHORT FIBER/TRASH CLAIMS.

5. COMMENT: IN VIEW OF PROGRESS MADE TOWARD CLAIM SETTLEMENT BY BTMC, WE BELIEVE IT IS NOT NECESSARY AT THIS TIME TO RAISE ISSUE WITH ADVISOR FOR TEXTILES. HOWEVER, IF UPON TEAM'S RETURN BTMC DOES NOT DEMONSTRATE THAT SUFFICIENT PROGRESS IS BEING MADE TO UNCLASSIFIED

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EXPEDITE SETTLEMENT OF CLAIMS WE WILL CONSIDER HIGHER LEVEL APPRO-
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